



BUDGET BRIEFS

Subcommittee Report

MAY 9, 2001

IN THIS BRIEF:

✍️ **FULL COMMITTEE**

✍️ **SUBCOMMITTEE 1 (EDUCATION)**

✍️ **SUBCOMMITTEE 2 (RESOURCES, TRANSPORTATION, & JUDICIARY/JUSTICE)**

✍️ **SUBCOMMITTEE 3 (HEALTH & HUMAN SERVICES)**

✍️ **SUBCOMMITTEE 4 (GENERAL GOVERNMENT, PUBLIC SAFETY)**

FULL COMMITTEE

MIKE GENEST, STAFF DIRECTOR

✍️ **LAO Revenue Projections Show Major Shortfall.** The LAO has provided Senator Peace with a preliminary estimate of revenues for the current and budget years. The estimate indicates that revenues in the current year will be \$1.4 billion higher than the Governor's Budget projections and that budget-year revenues will be \$4.8 billion below the Governor's Budget levels. The current-year increase reflects "strong performance of final personal income tax payments on 2000 income-year liabilities." The budget year reduction is "due to the weaker near-term economic outlook, the decline in the stock market, and recent downward trends associated with 2001 economic activity."

✍️ **LAO Projections Suggest Major Cuts Necessary.** The revenue shortfall projected by the LAO suggests that, absent any change in the spending levels proposed in the Governor's Budget, the state General Fund will run deficits of \$1.5 billion in 2001-02 and \$5.8 billion in 2002-03. This suggests that, in addition to any one-time spending cuts that are made to balance the budget in the current year (note that SBFR has already reduced the Governor's Budget levels by \$1.9 billion in one-time spending), it would be fiscally prudent to implement substantial ongoing cuts in this budget to prepare for the outyear. **Note:** the spending levels referenced above assume (1) that all of the General Fund spending for power procurement will be repaid and (2) the Proposition 98 spending level proposed in the Governor's Budget remains unchanged (although the LAO advises that should the Legislature choose to fund Proposition 98 at test 2, as proposed, the cost would increase by \$75 million in the current year, \$735 million in the budget year, and \$810 million in the out year; in contrast, the costs of funding at the constitutionally required test 3 level would be reduced by \$4.3 billion.

Budget to Date-Full Committee

(Dollars in Thousands)

Fund	Governor's Budget	Senate Changes	Budget to Date
General Fund	\$ 82,853,187	\$ -845,197	\$ 82,007,990
Special Funds	19,163,076	-588,214	18,574,862
Bond Funds	2,710,260	73	2,710,333
Federal Funds	42,920,560	53,363	42,973,923
Total	\$ 147,647,083	\$ -1,379,975	\$ 146,267,108

Budget to Date-Subcommittee 1
 (Dollars in Thousands)

<i>Fund</i>	<i>Governor's Budget</i>	<i>Senate Changes</i>	<i>Budget to Date</i>
<i>General Fund</i>	\$ 40,100,064	\$ -141,120	\$ 39,958,944
<i>Special Funds</i>	779,507	0	779,507
<i>Bond Funds</i>	1,417,270	0	1,417,270
<i>Federal Funds</i>	10,052,917	0	10,052,917
<i>Total</i>	\$ 52,349,758	\$ -141,120	\$ 52,206,190

Special Education

✓✓**Family Empowerment Centers.** The Subcommittee checklisted (3-0) \$14.7 million in new federal funds to establish "family empowerment centers" statewide. These parent-operated centers provide advice and support to parents of children with disabilities. SB 511 (Alpert) would appropriate \$25 million for this purpose and will be heard May 14 in Senate Appropriations.

✓✓**Compliance Monitoring.** The Subcommittee checklisted (3-0) \$1.5 million for 22 positions to implement the Department of Education's quality assurance process. The department has been under very close federal scrutiny to improve its oversight of locally operated special education programs. Last year's budget bill included 54 new positions for the department to conduct 100 compliance reviews; the Governor vetoed 22 positions. The department is still filling the 32 remaining positions.

✓✓**Special Education Equalization.** The Subcommittee approved (3-0) the expenditure of \$98 million of Proposition 98 General Fund "freed up" by the receipt of new federal funds as follows: \$49 million to be allocated on an equal amount per pupil basis and \$49 million to further equalize local funding levels.

✓✓**State Special Schools.** The Subcommittee approved (3-0) a total of \$2.6 million (General Fund) for capital outlay projects at the state special schools, which serve blind, deaf, and other disabled students. This funding had previously been deleted from the budget by the full Budget Committee.

✓✓**Regional Occupational Centers/Programs (ROC/Ps).** The Subcommittee approved (3-0) \$10 million of one-time Proposition 98 funds for equipment for ROC/Ps and checklisted (3-0) \$25 million to provide a 4 percent discretionary increase for ROC/Ps.

✓✓**Adult Education.** The Subcommittee adopted budget bill language to revert any unencumbered adult education funding to be allocated pursuant to legislation containing the provisions of SB 192 (Karnette). SB 192, which will be heard in Senate Appropriations on Monday the 14th, would, among other things, allocate unencumbered adult education funding that would otherwise revert to the Proposition 98 Reversion Account to adult education programs instead.

The Subcommittee also checklisted (3-0) \$5 million to increase adult education funding by \$20 per pupil.

✓✓**English Language Learners.** The Subcommittee checklisted \$16 million in current year savings from the English Language Learners Acquisition Program.

SUBCOMMITTEE 2 (RESOURCES, TRANSPORTATION, & JUDICIARY/JUSTICE) APRIL 26, MAY 3
CONSULTANTS: ALEX ALANIS, DAVE HARPER

Budget to Date-Subcommittee 2
(Dollars in Thousands)

Fund	Governor's Budget	Senate Changes	Budget to Date
General Fund	\$ 6,048,511	\$ -529,836	\$ 5,518,675
Special Funds	7,709,953	67	7,710,020
Bond Funds	1,271,328	73	1,271,401
Federal Funds	4,809,734	362	4,810,096
Total	\$ 19,839,526	\$ -529,334	\$ 19,321,658

APRIL 26

Department of Justice - Statewide DNA Laboratory. The Governor's Budget included \$15 million for site acquisition, preliminary plans, working drawings, and construction of a new state DNA laboratory. The subcommittee reduced the proposal to \$3 million in order to fund an Environmental Impact Report.

MAY 3

CALFED Overview. The subcommittee had an overview hearing of the CALFED program as proposed in the Governor's Budget. The program, which would implement the August 2000 Record of Decision, is the first of a seven year program. This year's proposal contains 25 budget proposals across several state and federal agencies, and would cost \$414 million (\$94 million General Fund and the remainder in state bond funds) in 2001-02. The committee agreed to put all General Fund expenditures for CALFED on the suspense list because of the uncertainty of General Fund revenues due to the energy crisis and the uncertainty of the federal government's commitment to the CALFED program.

Office of Criminal Justice Planning – Local Crime Lab Grants. The Subcommittee approved the Governor's \$30 million proposal and added language to ensure that grants would be made available for construction and/or upgrade of local crime labs on a competitive basis.

SUBCOMMITTEE 3 (HEALTH & HUMAN SERVICES) MAY 3
CONSULTANTS: SHARON BISHOP, THERESE TRAN

Budget to Date-Subcommittee 3
(Dollars in Thousands)

Fund	Governor's Budget	Senate Changes	Budget to Date
General Fund	\$ 21,963,227	\$ 336,577	\$ 22,299,804
Special Funds	5,120,675	-447,541	4,673,134
Bond Funds	0	0	0
Federal Funds	26,953,853	53,001	27,006,854
Total	\$ 54,037,755	\$ -57,963	\$ 53,979,792

Safe Arms for Newborns Law. Chapter 824, Statutes of 2000 (SB 1368, Brulte) enacted the Safe Arms for Newborns Law, which protects newborn infants from abandonment by providing new parents with immunity from criminal prosecution if they bring the newborn to a hospital or other designated government facility

within 72 hours of birth. SB 101 (Brulte) would require the Department of Social Services in consultation with the Department of Health Services, the Department of Education, and the Attorney General, to develop and implement a social marketing campaign which educates women about adoption and the option to surrender their babies to hospitals or other safe locations. The estimated cost of implementing the social marketing campaign is \$3 million. The subcommittee placed \$3 million on suspense to implement the bill. Vote: 3-0.

☞☞**CalWORKs child care.** The subcommittee adopted placeholder budget bill intent language to fully fund Stage 1 and Stage 2 child care for participants entering CalWORKs and for those who have reached stable employment. This issue will be heard again in the May Revision.

☞☞**CalWORKs county incentives.** No budget action taken. The subcommittee indicated intent to retain the current incentive structure. This issue will be heard again in the May Revision.

SUB 4 (GENERAL GOVERNMENT & PUBLIC SAFETY) MAY 7
CONSULTANTS: TOM SHEEHY, DAVE HARPER

Budget to Date-Subcommittee 4
(Dollars in Thousands)

<i>Fund</i>	<i>Governor's Budget</i>	<i>Senate Changes</i>	<i>Budget to Date</i>
<i>General Fund</i>	\$ 14,741,385	\$ -510,818	\$ 14,230,567
<i>Special Funds</i>	5,552,941	-140,740	5,412,201
<i>Bond Funds</i>	21,662	0	21,662
<i>Federal Funds</i>	1,104,056	0	1,104,056
<i>Total</i>	\$ 21,420,044	\$ -651,558	\$ 20,768,486

☞☞**Commission on Correctional Peace Officers' Standards and Training – Facilities Increase.** Due to excessive vacancies in the Commission, the Subcommittee re-appropriated \$142,000 in current year salary savings to the Commission's budget year appropriation, and rejected the Governor's proposal to increase the budget by \$142,000 for facility rent increases.

☞☞**Department of Corrections – Electromechanical Doors.** Based on revised cost and workload estimates, the Subcommittee reduced the Governor's proposal by approximately \$25 million and still provided sufficient funding (\$34 million) to begin the project in the 2001-02 fiscal year.

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.
